

CONTROL INSTRUMENTS GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1964/003987/06)

Share Code: CNL

ISIN: ZAE000001665

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

HIGHLIGHTS

	IFRS	Normalised
Revenue growth	90%	90%
Profit before tax increased	140%	70%

COMMENTARY

Overview

The directors are pleased to report that good progress is being made with the Group's stated strategic objectives of growing the business substantially, globalising the business and reducing dependence on any one area of operation.

The results for the six months ended 30 June 2006 show strong underlying growth in revenue, operating profit and profit before tax.

The results have been prepared in accordance with International Financial Reporting Standards (IFRS). It should be noted that due to the significant acquisitions completed during the past nine months and the impact of IFRS, comparisons with prior year figures are not necessarily meaningful.

Results

In accordance with IFRS

Revenue increased by 90% from R176.0 million in the same period last year to R333.6 million and profit before tax by 140% to R37.9 million from R15.8 million.

The Group's effective rate of tax increased from 8% to 22% in the period and profit after tax increased 105% from R14.5 million to R29.6 million.

Earnings per share increased 49% from 22.0 cents per share to 32.8 cents per share. Headline earnings per share decreased 22% from 22.2 cents per share to 17.4 cents per share. The major reason for this disparity is the IFRS requirement with respect to accounting for negative goodwill.

Normalised results

The core metrics the Group uses in managing its businesses are, turnover; operating profit and profit after interest, but before IFRS adjustments and tax. It is the opinion of the board of directors that certain of the requirements of IFRS distort the results from a business perspective. A normalised income statement for the six months ended 30 June 2006 is therefore presented separately.

On a normalised basis, operating profit increased by 85% from R18.9 million to R35.1 million and normalised profit before tax increased 70% from R16.2 million to R27.6 million. This relates to a 24% increase in normalised earnings per share before tax from 24.7 cents to 30.6 cents.

General

In February 2006, 16 667 000 shares were issued at R6.00 per share and in March 2006 a loan to the value of R50 million was raised to fund the acquisitions. The Group's cash flow remained strong and enabled it to fund working capital growth requirements and service its debt repayment obligations. R6.2 million of principal debt was repaid during the period under review.

In June 2006, 8 148 672 treasury shares were cancelled and delisted.

Business overview

Good progress is being made with the integration of the recent acquisitions. The full effect of this will be felt in 2007.

The Fleet Management business performed well, both internationally and locally. Tripmaster Corporation (USA), acquired with effect from 1 March 2006, performed better than expected. The Group expects the Fleet Management business to continue to show strong growth and is actively seeking further opportunities to expand its international operations.

The Automotive Aftermarket operations were consolidated into the premises occupied by Dana South Africa, during the first half of the year. Despite the disruptions, a strong performance was recorded. The acquisition of Gabriel should be completed in the last quarter of the year and this will then add significantly to the growth of the Automotive Aftermarket business in 2007.

During the past 18 months the Group has been repositioning its OEM businesses to meet the major changes taking place in the automotive industry in South Africa. The establishment of a UK based office, the acquisition of the business of Sagercy and an increased investment in development resources is starting to have a positive effect.

Prospects

The Group continues to operate in niche sectors of global markets and is therefore subject to local and international disruptions that are not under its control.

Prospects for the remainder of 2006 are good.

Declaration of interim dividend

Notice is hereby given that the board has declared an interim dividend of 3.5 cents per share in respect of the six months ended 30 June 2006.

In terms of the requirements of STRATE:

Last day to trade <i>cum</i> dividend	Friday	8 September 2006
Shares trade <i>ex</i> dividend	Monday	11 September 2006
Record date	Friday	15 September 2006
Payment date	Monday	18 September 2006

Share certificates may not be dematerialised or rematerialised between Monday, 11 September 2006 and Friday, 15 September 2006, both days inclusive.

On behalf of the Board of Directors

JPS O'Leary Chairman
R Friedman Managing Director

21 August 2006

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED INCOME STATEMENTS
For the six months ended 30 June 2006

	6 months ended 30/06/06 Unaudited R 000	6 months ended 30/06/05 Unaudited R 000	Variance %	Year ended 31/12/05 Audited R 000
Revenue	333 595	175 959	89.6	395 060
Cost of sales	(204 099)	(91 852)		(233 168)
Gross profit	129 496	84 107	54.0	161 892
Other operating income	21 495	2 886		14 791
Interest income	80	4		845
Administrative expenses	(59 425)	(38 758)		(83 036)
Marketing and selling expenses	(17 907)	(4 346)		(18 886)
Other operating expenses	(30 123)	(25 385)		(45 559)
Operating profit	43 616	18 508	135.7	30 047
Loss from discontinuing operations	-	(8)		-
Finance costs	(7 462)	(2 708)		(7 357)
Net profit from joint ventures	1 710	-		2 765
Profit before tax	37 864	15 792	139.8	25 455
Tax	(8 247)	(1 319)		(4 737)
Net profit	29 617	14 473	104.6	20 718
Total shares in issue (excluding treasury shares) (000)	95 623	66 600		78 956
Weighted average number of shares in issue (000)	90 190	65 780		69 687
Adjustment for share options (000)	6 375	5 617		5 173
Weighted average number of shares for diluted earnings per share (000)	96 565	71 397		74 860
EPS (cents)	32.84	22.00	49.3	29.73
Headline earnings (R 000)	15 703	14 615	7.4	19 740
Headline EPS (cents)	17.41	22.22	(21.6)	28.34
Diluted EPS (cents)	30.67	20.27	51.3	27.68
Diluted Headline EPS (cents)	16.26	20.47	(20.6)	26.37
Dividend per share (cents)	4.00	3.00	33.3	6.00
Reconciliation of EPS to Headline EPS (cents)				
EPS	32.84	22.00		29.73
Loss/(profit) on disposal of property, plant and equipment	0.05	0.22		(0.09)
Profit on disposal of joint ventures	-	-		(0.31)
Negative goodwill on acquisitions	(15.76)	-		(4.45)
Impairment of "available-for-sale" financial assets	-	-		2.31
Impairment of development cost	0.28	-		1.15
Headline EPS	17.41	22.22		28.34

CONTROL INSTRUMENTS GROUP LIMITED
NORMALISED CONSOLIDATED INCOME STATEMENTS
For the six months ended 30 June 2006

	6 months ended 30/06/06 Unaudited R 000	6 months ended 30/06/05 Unaudited R 000	Variance %	Year ended 31/12/05 Unaudited R 000
Revenue	333 595	175 959	89.6	395 060
Cost of sales	(203 874)	(91 852)	122.0	(233 168)
Normalised gross profit	<u>129 721</u>	<u>84 107</u>	54.2	<u>161 892</u>
Other operating income	7 282	2 886	152.3	11 693
Interest income	80	4		845
Administrative expenses	(56 698)	(38 322)	48.0	(79 252)
Marketing and selling expenses	(17 872)	(4 346)	311.2	(18 704)
Other operating expenses	(30 123)	(25 385)	18.7	(43 955)
Profit from joint ventures before tax	<u>2 710</u>	<u>-</u>		<u>3 938</u>
Normalised operating profit	35 100	18 944	85.3	36 457
Loss from discontinuing operations	-	(8)		-
Finance costs	(7 462)	(2 708)	175.5	(7 357)
Normalised profit before tax	<u>27 638</u>	<u>16 228</u>	70.3	<u>29 100</u>
Weighted average number of shares in issue (000)	90 190	65 780	37.1	69 687
Normalised earnings per share before tax (cents)	30.64	24.67	24.2	41.76

Reconciliation between profit before tax and normalised profit before tax

Profit before tax	37 864	15 792		25 455
IFRS 3: <i>Business Combinations</i> - Negative goodwill	(14 213)	-		(3 098)
IFRS 3: <i>Business Combinations</i> - Amortisation of intangible assets created on acquisition	326	-		215
IFRS 2: <i>Share-based Payment</i> - Share option expense	2 661	436		3 751
IAS 39 (amendment): <i>Fair Value Option</i> - Impairment of "available-for-sale" financial asset	-	-		1 604
Tax on profit from joint venture	1 000	-		1 173
Normalised profit before tax	<u>27 638</u>	<u>16 228</u>		<u>29 100</u>

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
At 30 June 2006

	30/06/06	30/06/05	31/12/05
	Unaudited	Unaudited	Audited
	R 000	R 000	R 000
	<hr/>	<hr/>	<hr/>
ASSETS			
Non-current assets	348 472	131 688	193 179
Property, plant and equipment	136 919	89 699	124 831
Intangible assets	202 493	31 469	57 727
Investment in joint ventures	1 871	-	2 765
Financial assets	3 208	3 208	3 208
Non-current receivables	-	383	-
Deferred tax assets	3 981	6 929	4 648
	<hr/>	<hr/>	<hr/>
Current assets	269 518	102 133	175 792
Inventories	98 621	38 860	84 846
Trade and other receivables	159 407	61 852	90 702
South African Revenue Service	612	1 183	-
Cash and cash equivalents	10 878	238	244
	<hr/>	<hr/>	<hr/>
Total assets	<u>617 990</u>	<u>233 821</u>	<u>368 971</u>
EQUITY AND LIABILITIES			
Capital and reserves	297 216	101 447	165 027
Non-current liabilities	185 001	37 480	111 853
Borrowings	140 605	28 724	96 065
Retirement benefit obligations	600	600	600
Deferred tax liabilities	40 920	8 156	14 356
Provisions	2 876	-	832
	<hr/>	<hr/>	<hr/>
Current liabilities	135 773	94 894	92 091
Trade and other payables, provisions and current borrowings	133 525	81 973	90 394
South African Revenue Service	1 057	3 291	213
Bank overdraft	1 191	9 630	1 484
	<hr/>	<hr/>	<hr/>
Total equity and liabilities	<u>617 990</u>	<u>233 821</u>	<u>368 971</u>
Net asset value per share (cents)	311	152	209

CONTROL INSTRUMENTS GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENTS
For the six months ended 30 June 2006

	6 months ended 30/06/06 Unaudited R 000	6 months ended 30/06/05 Unaudited R 000	Year ended 31/12/05 Audited R 000
Cash flows from operating activities			
Operating profit before working capital changes	42 080	26 331	49 499
Working capital changes	(22 408)	(8 569)	(42 296)
Cash generated from operations	<u>19 672</u>	<u>17 762</u>	<u>7 203</u>
Interest received	80	4	845
Finance costs	(7 462)	(2 708)	(7 357)
Dividends paid	(3 826)	(1 971)	(3 968)
Tax paid	(4 662)	(4 398)	(7 778)
	<u>3 802</u>	<u>8 689</u>	<u>(11 055)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(4 507)	(6 729)	(31 701)
Proceeds from disposal of property, plant and equipment	14	-	2 622
Increase in intangible assets	(8 181)	(5 832)	(13 808)
Movement of investments in joint ventures	894	250	512
Acquisition of subsidiaries and operations, net of cash	(74 752)	(7 126)	(8 359)
Increase in non-current receivables	-	(91)	-
	<u>(86 532)</u>	<u>(19 528)</u>	<u>(50 734)</u>
Cash flow from financing activities			
Settlement of non-current borrowings	(6 192)	(4 538)	(407)
Shares issued	99 946	-	54 908
Shares cancelled	(97)	-	-
Movement of treasury shares	-	1 234	1 297
	<u>93 657</u>	<u>(3 304)</u>	<u>55 798</u>
Net cash inflow/(outflow) for the period	10 927	(14 143)	(5 991)
Cash and cash equivalents at the beginning of the period	(1 240)	4 751	4 751
Cash and cash equivalents at the end of the period	<u>9 687</u>	<u>(9 392)</u>	<u>(1 240)</u>

CONTROL INSTRUMENTS GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2006

	Share capital Share premium Treasury shares R 000	Fair value and other reserves R 000	Retained earnings R 000	Total R 000
Balance at 1 January 2005	25 146	2 349	59 328	86 823
As previously reported	25 146	3 953	57 724	86 823
Change in accounting policy		(1 604)	1 604	-
Net profit not recognised in the income statement:				
Cash flow hedges: net fair value gains, net of tax		452		452
Net profit			14 473	14 473
Movement of treasury shares	1 833		(599)	1 234
Employee share option scheme: - value of services provided		436		436
Dividends paid			(1 971)	(1 971)
Balance at 30 June 2005	26 979	3 237	71 231	101 447
Net loss not recognised in the income statement:				
Cash flow hedges: net fair value losses, net of tax		(592)		(592)
Net profit			6 245	6 245
Impairment of "available-for-sale" financial asset		1 604		1 604
Movement of treasury shares	133		(36)	97
Employee share option scheme: - value of services provided		3 315		3 315
Shares issued	54 908			54 908
Dividends paid			(1 997)	(1 997)
Balance at 31 December 2005	82 020	7 564	75 443	165 027
Net profit not recognised in the income statement:				
Cash flow hedges: net fair value gains, net of tax		1 162		1 162
Creation of currency translation reserve		2 725		2 725
Net profit			29 617	29 617
Cancellation of treasury shares	(97)			(97)
Employee share option scheme: - value of services provided		2 661		2 661
Shares issued	99 947			99 947
Dividends paid			(3 826)	(3 826)
Balance at 30 June 2006	181 870	14 112	101 234	297 216

Accounting policies - basis of presentation

The financial statements have been prepared in terms of International Financial Reporting Standards. These are subject to ongoing review and may change. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2005 except for the adoption of the amendment of IAS 39 - *The Fair Value Option*, which became effective with effect from 1 January 2006. This reclassified the preference shares of Multenet Technologies (Pty) Limited as an "Available-for-sale" financial asset. Changes in the fair value have been recognised directly in the statement of changes in equity and impairment has been recognised in the income statement. As a result, an impairment of R1.6 million was recognised in the income statement in 2005

Significant acquisitions

Tripmaster

With effect from 1 March 2006, the Group acquired a 100% interest in Tripmaster

Details of the net assets acquired and negative goodwill are as follows:

Purchase consideration:

- Paid	36 544
- Direct costs relating to the acquisition	894
Total purchase consideration	<u>37 438</u>
Less: Fair value of net assets acquired	51 651
Negative goodwill on acquisition	<u>(14 213)</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair value R 000	Acquiree's carrying amount R 000
Property, plant and equipment	886	886
Intangible assets	57 450	4 318
Current assets	20 606	20 606
Current liabilities	(8 531)	(8 531)
Deferred tax liabilities	<u>(18 760)</u>	<u>(695)</u>
Net assets acquired	<u>51 651</u>	<u>16 584</u>
Purchase consideration	37 438	
Deferred purchase consideration included in borrowings	(14 824)	
Cash and cash equivalents in subsidiary acquired	<u>(7 744)</u>	
Cash outflow on acquisition	<u>14 870</u>	

Sagercy

With effect from 1 March 2006, the Group acquired a 100% interest in the business of Sagercy.

Details of the net assets acquired and goodwill are as follows:

Purchase consideration:	
- Paid	109 062
- Direct costs relating to the acquisition	1 228
Total purchase consideration	<u>110 290</u>
Less: Fair value of net assets acquired	31 392
Goodwill on acquisition	<u>78 898</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair value R 000	Acquiree's carrying amount R 000
Property, plant and equipment	16 432	6 360
Current assets	18 754	18 754
Current liabilities	(873)	(873)
Deferred tax liabilities	(2 921)	-
Net assets acquirec	<u>31 392</u>	<u>24 241</u>
Purchase consideration	110 290	
Purchase consideration settled in long-term borrowings	(50 000)	
Cash outflow on acquisition	<u>60 290</u>	

The accounting for all current year business combinations has been determined provisionally in terms of IFRS3. As a result those figures may change at year-end.

Post Balance sheet events

Gabriel

Agreement was reached on 20 June 2006 between Control Instruments and ArvinMeritor Incorporated ("ArvinMeritor") and its wholly owned subsidiary, Maremont Corporation ("Maremont"), whereby, subject to the fulfillment of certain conditions precedent, Control Instruments, through a wholly owned subsidiary, will acquire the business of Gabriel South Africa (Proprietary) Limited, the Gabriel trademark for designated territories in Africa (including South Africa) and certain intellectual property from an ArvinMeritor group company ("Gabriel") ("the acquisition"), for R82 091 881 to be settled in cash.

The acquisition is subject to, inter alia, the unconditional approval of the relevant Competition Authorities. This is expected to be on or around 18 October 2006.